

Pam's
to

Development (1951) Department.

MS SERIES.

G.O. NO. 3119

Dated 7-7-1951

Received
1-5-51

[Despatch Abstract.]

Act and Rules - State Aid to Industries
Act- M/s Chandappa Engineering Works
Mangalore Loan of Rs. 7,000 and
subsidy of Rs. 5,000/- sanctioned
Orders cancelled

Industries and Commerce Department.

From
Sri M.T.Raju, Bar-at-Law., I.C.S.,
Director of Industries and Commerce,
Madras.6.

To
The Secretary to Govt.
Development Department,
Madras.

No. S.A. 1/50. dated 18-6-51.

68956 A2/51

21.6.51

Sir,

Sub: STATE AID TO INDUSTRIES - Application from
M/s. Chandappa Engineering Works, Mangalore-
Loan of Rs.7,000 and subsidy of Rs.5,000
- sanctioned.

Ref: G.O. Ms. No. 326 Dev. dated 23-1-51.

In the G.O. cited above, Government have sanctioned subject to certain conditions, the grant of a loan of Rs.7,000 and a subsidy of Rs.5,000 to Sri M. Chandappa, Proprietor, Chandappa Engineering Works, Mangalore. Sri Chandappa has now put in a petition No. C.192/51 dated 30-4-51 (copy enclosed) stating that he has floated a limited company styled as "Chandra Electric And Engineering Coy. Ltd" for the manufacture of Electric fans since the loan and subsidy sanctioned are very much below his expectations and asking that the loan and subsidy sanctioned to him may be paid over to the newly floated company of which he is the Managing Director. In law, the new company is altogether a distinct entity different from Sri Chandappa and the liability which would, attach to Sri Chandappa for the loan sanctioned in the G.O. cited would not be identical to what would attach to the new company to which the loan has been proposed to be transformed.

2. I suggest that in view of the transformation in the legal character of the borrower, the loan and subsidy sanctioned in the G.O. cited may be cancelled and the petitioner directed to apply afresh in the name of the new company formed by him.

for Director of Industries and Commerce.

ThS/ 19/6.

Copy of petition No. C.192/51 dated 30-4-51. from
Chandappa Engineering Works, Mangalore.

Sub: State Aid to Industries - Chandappa Engineering
Works, Mangalore - Loan and subsidy - Sanctioned
in G.O. No. MS. 326 - Development Department dated
23rd January 1951.

Ref: Your No. S.A. 1/50 dated 22-2-1951.

With reference to the above I beg to accept the conditions of the grant of the loan as stipulated in the above orders of Government. While thanking the Government of Madras for the kind orders passed sanctioning the subsidy and the loan, I beg to state that now I have floated a limited Company named as "Chandra Electric & Engineering Company Ltd. for the manufacture of Electric Fans, for the following reasons:-

a) The subsidy and the loan sanctioned being very much below my expectations, in view of the substantial investment required for this industry, I had to find some means of

/p.t.o./

M | collecting necessary capital to purchase the required machinery and raw materials as well as the accomodation for this Industry.

X | b) As it has been specifically mentioned that the subsidy and loan are sanctioned for the Electric Fan Industry only, I thought of separating the fan manufacturing works from the existing Garage to facilitate keeping clear and separate accounts.

c) To have proper supervision by the Government of Madras so that the State Aid granted may not be misunderstood to have been used for the Garage purposes also at a later date.

Z | d) To develop this industry on a better and larger scale and to develop various other industries in the name of this new Company on a regional development basis, than I can do single handed with limited finance.

e) This company will give a better security to the Govt. of Madras. The mortgage deed will be executed in the name of the Company for the machinery purchased and installed and to be purchased and the Insurance Policy in respect of these machinery will be obtained by the Company and will be assigned in the name of the Governor of Madras as suggested in the above Government Order.

NC | A draft for Rs. (120/-) one hundred and twenty only called for in your letter No. S.A. 1/50 dated 22-2-'51 and a list of further machinery installed and those proposed to be installed are enclosed. I, therefore, beg to request that the loan and subsidy sanctioned by the Madras Govt. in my name may kindly be paid to the Company "Messrs. Chandra Electric & Engineering Company Ltd.," Hampankatta, Mangalore floated by me and of which I am the Managing Director.

Thanking you in anticipation.

/ true copy /

Issue -
PM
7.7.51

91/917 SA

6.2.35 h D:

3

Dev. Dept. DH

Acts and Rules - State Aid to Industries Act -
M/s Chandappa Engineering Works, Mangalore -
Loan of Rs. 7,000/- and subsidy of Rs. 5,000/-
sanctioned - orders cancelled.

Ap: 5.6.1 (2)
p 1 cl

Read again: G.O. No. 326, Dev. d/23-1-1951.

Read also: From the D.I.S.C No. SA1/50d/18-6-5

G.O. No. Ms. 3119 Dated 7.7.51

MS

1/18.5.6.1 (2)

In the circumstances stated by the
D.I.S.C, H.E. the Governor of Madras directs
that the orders issued in G.O. No. 326, Dev.
d/23-1-1951 sanctioning a loan of Rs. 7,000/-
(Rupees seven thousand only) and a subsidy
of Rs. 5,000/- (Rupees five thousand only) to
M/s Chandappa Engineering Works, Mangalore
be cancelled.

para 2, p 1 cl

2. The D.I.S.C is requested to inform
the Board of Industries that the loan and
subsidy have been cancelled. He is also
requested to inform M/s Chandappa Engineering
Works, Mangalore that they may apply for
state aid afresh in the name of the new
company formed by Sri Chandappa.

para 2, p 1 cl

To the D.I.S.C
the A.G. thro' the
Finance Dept. (with
a copy of pp 12 cl)

S.7. sc/1
bom/

bse
25.6.51
25/6/51

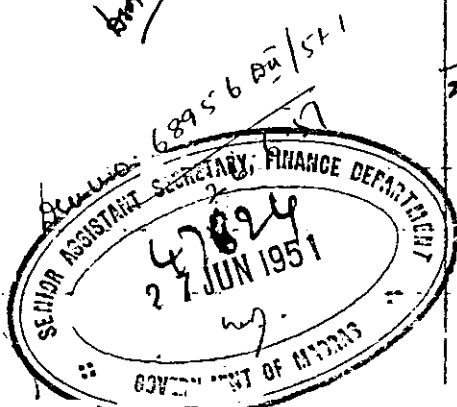
PM
26/6/51

Note: Finance may see before circulation.

bse
25.6.51
25/6/51

PM
26/6/51

S / Q. Lin / Jin



68756 AM 9/57

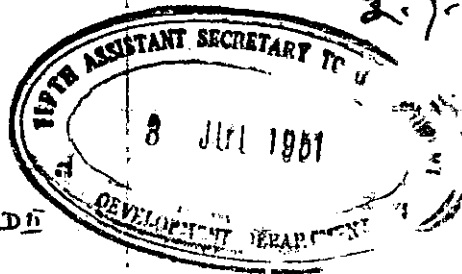
34
57

Rin (C. p. 8)

Not to be provided and returned to Gen.

B
1.7.57 Desh

Gen.
12928 55/57
3.7.57 47.624
SAH 57
2.7.57



Dev. Dept. Dh

To A.S.:

The draft order on p. 1 above may now issue.

Gen.
3.7.57
Di.
4/7/51

M
4/7/51

S
10/7

W. V (Ind) 4/7/51



p 3 above.

(Issued as Go MS 3119, Dev. d/ 7-7-1951)

3/7

Copy of Letter Ref. C. No. 354/51 dated 11th August 1951 from Chandrasekhar Engineering Works, Govt. College, Madras, to the Director of Industries and Commerce, Madras.

NC Ref:- Your No. 8-11/50 dated the 1-8-51.

In obedience to your above reference I beg to state that I applied for a larger amount of loan and subsidy for research and manufacturing of Electric fans, but as I was unable to give sufficient security for the amount of loan availed for by me, you and the members of the State Aid Committee were kind enough to grant me a subsidy of Rs. 5000/- and a loan of Rs. 7000/- on the security of my personal assets. As this amount was insufficient for the purpose for which I applied for State Aid, I managed to float a Private Limited Company of which I am the Managing Director. As I thought it was a humble opinion that it is permissible to transfer the subsidy and loan kindly sanctioned to me, in the name of the newly floated Company, I requested you in my letter Ref. C. No. 102/51 to transfer the same in the name of the Company. As I now find that it is not possible to transfer the loan etc., in the name of the company floated by me, I pray that the subsidy and loan may kindly be paid to me as sanctioned to me already. In this connection I beg to bring to your kind notice, that I spent a lot of my money for the publication of the notification regarding the granting of this loan, in papers, and to go to Madurai and Coimbatore with all the manufactured articles for attending the State aid meetings and placing my genuine case before the members of the State Aid Committee. Lastly a sum of Rs. 120/- also was sent to you towards the fees payable to the Government Pleader to draft the mortgage deed. In these circumstances, I most humbly and respectfully pray that you may kindly be pleased to reconsider my case and give me the subsidy and loan sanctioned already on the security of my personal assets as enumerated in C.C. No. Ms. 326 Development Department dated 23-1-1951 at an early date so that I may be able to purchase the important machinery for the research work.

I also, further, beg to submit that separate application for State Aid for a higher sum will be submitted in the name of the Company showing the subsidy and loan of Rs. (12,000/-) twelve thousand only sanctioned to me is not at all sufficient for the purchase of all the required machinery for the fan manufacturing industry.

Thanking you in anticipation.

Yours truly /

32/
29/11.

9 Dev. Dept. DII.

Memo No. 102420 DII/51-4

dated 28-11-1951

g.s.s.ue
bsa
28-11-51

Sub:-State Aid to Industries - Sri B. Chandappa, Proprietor, Chandappa Engineering Works; Mangalore - Grant of the loan of Rs.7,000 and the subsidy of Rs.5,000/- cancelled Request for restoration of the original orders.

Ref:-From the Q.I. & C. No. SA. 1/50 dated 11-19-1951.

14

(L)

Not a legal
concern

The D.I. & C. is informed that the loan of Rs.7,000/- and the subsidy of Rs.5,000/- sanctioned to Sri B. Chandappa, Proprietor, Chandappa Engineering Works, Mangalore, cannot be made available to him as there is, at present, no such concern as Chandappa Engineering Works and ^{as} the machinery which had to be mortgaged for securing repayment of the loan belongs, at present, ^{to M/s. Chandra Electric Engineering Co., Ltd.} ~~the concern of the company.~~ He is also informed that the industry for whose aid the loan was sanctioned is, at present, the concern of the ^{new} company floated by Sri Chandappa and if the company desires ^(to get) a loan, it should make a fresh application for that purpose.

Amu
1-12-51

Sample
30/11
To the D.I. & C.

bsa
14-11-51
14/11/51

66A
(57.11)
12
10 +1

State Aid to Industries - Loan and subsidy granted to Chandappa Engineering Works, Mangalore - Cancelled - Regarding

C.No. 10242.DII/51. p 14 From the D.I. & C. No. SA 1/50 dated 11-9-1951.

To A.S.

In G.O.No.326, Dev. dated 23-1-1951, a loan of Rs.7,000 and a subsidy of Rs.5,000/- were granted to Sri B. Chandappa, Proprietor. Chandappa Engineering Works, Mangalore, under the provisions of the Madras State Aid to Industries Act. Subsequently in June 1951, the D.I. & C. reported that Sri Chandappa floated a limited company, styled as "Chandra Electric and Engineering Co. Ltd." for the manufacture of electric fans since the loan and subsidy sanctioned are very much below his expectations and that Sri Chandappa asked that the loan and subsidy sanctioned to him might be paid over to the newly floated company. In view of the transformation in the legal character of the borrower, the D.I. & C. suggested that the loan and subsidy sanctioned to Sri Chandappa might be cancelled and that he might be directed to apply afresh in the name of the new company formed by him. Orders were issued accordingly cancelling the loan and subsidy granted to Sri Chandappa.

2. The D.I. & C. has now reported that Sri Chandappa represented to him that the loan and subsidy originally sanctioned to him might be made available to him pleading that he had already incurred considerable expenditure in connection with his application for the State aid and that he was under ~~misapprehension~~ ^{misapprehension} that it is permissible to transfer the loan and subsidy amounts to the company newly formed by him. The D.I. & C. has recommended that, as Sri Chandappa has abandoned the proposal for grant of the loan and subsidy in favour of a company formed by him, the loan and subsidy originally sanctioned may be restored and made available to him in cancellation of the orders issued in G.O.No.3119, Dev. dated 7-7-1951. In the circumstances, it is for consideration whether the recommendation of the D.I. & C. above may be accepted. Subject to orders, a draft order is submitted below for approval.

3. Finance may see for acceptance.

24.9.51

26/9/51

26/9/51



A' on p. 1 of

✓ pp 35-36 of (D)

p 3 of (C)

Dec 0.0.102420DII/51
26.9.51

pp 35-36 of (D)

p 1 of (C)

pp 35-36 of (D)

para 2, p. 1 of (C)

p. 3 of (C)

back of

The notes of Dwt. corp. have explained the proposal, which may be permitted.

7. The loan and subsidy sanctioned to the proprietor Chandappa Engineering Works, Mangalore, were cancelled for the reason that, when the proprietor floated a new Company and became the Managing Director of that Company, he had become a distinctly separate entity different from the proprietor of the original ^{Engg.} works. In the circumstances it is not clear whether it will be legally proper to sanction the loan and subsidy to the proprietor who now practically ceases to exist as such, but is now the Managing Director of a new Company. It would seem safer to sanction the aid to the new Company instead of renewing the previous sanction. Dwt. may be requested to consider this point in consultation with legal if necessary

Rs 70000
Rs 50000
D.I.C. - 2/11/51
upl. C.F. (S)

It seems also not desirable to do so especially when at 13 on page. Cf. the applicant says that he intends to come up with another application in the name of the Co. for a higher sum

Jan 5/51

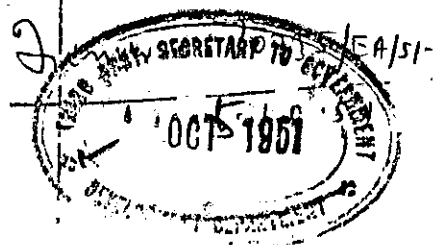
A

10000

8/5/51

11/5/51
Dev

110569 51/51
11-10-51



Dew. Dept. Di

To A.S.

The notes of Finance on p.2 above may be perused. Legal may see with reference to 'A' on p.2 above

BSR - ^{13/10/51} ^{13/10/51}

1067
13/10/51

I have Chandappa offered enough security in his personal capacity for the loan. If so, the question of giving the loan to the company is not relevant, when Chandappa is willing to take the loan as originally sanctioned to him

15
4

Secretary's query above:

The value of the assets offered by Sri Chandappa as security was estimated at Rs.21,297/- and it was reported that this would support a loan of Rs.7,000/-. It would therefore seem that the security offered by Sri Chandappa in his personal capacity is sufficient for the loan. Sri Chandappa has however stated that, as the loan of Rs.7,000/- and the subsidy of Rs.5,000/- sanctioned by the Govt. are not sufficient for the development of the fan manufacturing industry, he formed the new company to collect necessary additional capital for the industry. The question for consideration suggested by Finance is whether it will be legally proper now to renew the loan and the subsidy to Sri Chandappa in his ^{individual} ~~new~~ capacity ^{while he is} as the Managing Director of a ^{new} ~~another~~ company. Legal may advise.

Dec 10.10.51
12/10/51



BSR - ^{16/10/51} ^{16/10/51}

17/10/51

18/10/51 Legal (Security)

2A

Legal (Opinions-A) Department.

The loan was sanctioned to Sri, B. Chandappa, Proprietor, Chandappa Engineering Works, Mangalore. There is, at present, no such concern as Chandappa Engineering Works. The machinery which had to be mortgaged for securing repayment of the loan belongs, at present, to Messrs. Chandra Electric and Engineering Company, Limited. The industry for whose aid the loan was sanctioned is, at present, the concern of the company. The cancellation of the loan was, therefore, correct and is not liable to be reconsidered or set aside. If the company desires a loan, it should make a fresh application for that purpose.

8/11/51 2u
Legal Op. No. 1809/51
9/11/51

Dev. Dept. D.II.

To A.S.

Notes of Legal above may be perused. In view of the opinion given by the Legal Dept., it is for orders whether the D.I. & C. may be informed that the loan of Rs.7,000/- and the subsidy of Rs.5,000/- sanctioned to ~~M/s~~ Sri B. Chandappa, Proprietor, Chandappa Engineering Works, Mangalore, cannot be made available (to the new company of which Chandappa is now managing Director) and that if the new company floated by Sri Chandappa wants a loan, it should make a fresh application for the purpose. Subject to orders, a draft Memo is submitted below for approval.

2. Finance may see before issue.

(Previous Fin. mltis. exp. 2 above).

The further mltis. for imp. and the draft memo. may be perused.



127321 6m 10 NOV 1951 84585 GA/51-7
21/11/51

A II Section

Dev. Dept. DII.

11/28/11

To A.S.

In G.O.No.326, Dev. dated 23-1-1951, a loan of Rs.7,000/- and a subsidy of Rs.5,000/- were granted to Sri B. Chandappa, Proprietor, Chandappa Engineering Works, Mangalore, under the provisions of the Madras State Aid to Industries Act. Subsequently in G.O.No.3119, Dev. dated 7-7-1951, the loan and subsidy were cancelled for the reason that, when the proprietor floated a new company and became the Managing Director of that company, he had become a distinctly separate entity different from the proprietor of the original Engineering works.

2. Sri Chandappa represented to the D.I. & C. that the loan and subsidy originally sanctioned to him might be made available to him pleading that he had already incurred considerable expenditure in connection with his application for State aid and that he was under the misapprehension that it was permissible to transfer the loan and subsidy amounts to the company newly formed by him. The D.I. & C. supported the request of the petitioner. The question was examined in consultation with Finance and Legal. Legal Dept. have held that the loan and subsidy amounts sanctioned to Sri B. Chandappa cannot be made available to him as there is, at present, no such concern as Chandappa Engineering Works and as the machinery which had to be mortgaged for securing repayment of the loan belongs, at present, to M/s Chandappa Electric and Engineering Co., Ltd., They have also stated that the industry for whose aid the loan was sanctioned is, at present, the concern of the new company floated by Sri Chandappa and if the company desires to get a loan, it should make a fresh application for that purpose. It is proposed to inform the D.I. & C. accordingly.

3. The file may be circulated to H.M. (Ind) for orders of issue of the draft Memo below.



BSN
26-11-51
24-11-51

W.B.
26-11-51

S
27
10/11

Ind. (Ind) 28/11

(Issued as Memo No. 102420 DII/51-4 d/ 28-11-1951)

close
p d